

### **Global components sourcing hub**

- Major global OEMs have made India a component sourcing hub for their global operations.
- Several global Tier-I suppliers have also announced plans to increase procurement from their Indian subsidiaries. (eg)
- India is also emerging as a sourcing hub for engine components with OEMs increasingly setting up engine manufacturing units in the country.
- The aggregate CAPEX outlay for the OEMs is estimated to remain high at US\$ 7.95 billion (Rs. 650 billion) over 2023-2025.
- For companies like Ford, Fiat, Suzuki and General Motors (GM), India has established itself as a global hub for small engines.
- Varroc Lighting Systems (VLS) is supplying the complete exterior lighting solutions for Tesla Model S sedan and the Tesla Model X crossover.

### **Improving product-development capabilities**

- Tata Motors partners with LeadIT to achieve net-zero emissions in Passenger Vehicles by 2040 and Commercial Vehicles by 2045, demonstrating commitment to sustainability.
- In October 2023, Tata Motors signed a definitive agreement to acquire a 27% stake in Freight Tiger, a software-as-a-service (SaaS) company, for Rs. 150 crore (US\$ 17.99 million).
- In May 2023, Tata Technologies on Monday announced a partnership with TIHAN IIT Hyderabad, to collaborate in the areas of Software Defined Vehicles (SDV) and Advanced Driver Assistance Systems (ADAS) that incorporate the latest technologies.
- In February 2023, Bridgestone India, a global leader in tyres and sustainable mobility solutions, announced that it would be investing over US\$ 73.39 million (Rs. 600 crore) to meet the increasing demand for quality passenger tyres in the country.
- In January 2023, NXP Semiconductors inaugurated a new state-of-the-art Systems & Silicon Innovation lab at NXP Semiconductors Campus in Manyata Tech Park, Bengaluru.
- In November 2022, Continental Tires, a leading premium tyre manufacturer inaugurates Its First Commercial Vehicle Alignment Center in Jaipur.
- Increased investments in setting-up R&D operations & laboratories to conduct activities such as analysis, simulation & engineering

animations .

- The growth of global OEM sourcing from India & increased indigenisation of global OEMs are turning the country into a preferred designing & manufacturing base.

### **Route to expansion**

- During the 2024 global investor meet, Hyundai Motor India pledges an extra US\$ 743 million (Rs. 6,180 Crore) for long-term investments in Tamil Nadu.
- In May 2023, With Tesla proposing a manufacturing plant in India, the government plans to come out with a modified productionlinked incentive scheme (PLI 2.0) for electric vehicles and advanced chemistry cell batteries to invite fresh investments.
- In May 2023, Bridgestone looks to expand its retail footprint in India by 20-25%.
- In February 2022, the government has received investments proposal worth Rs. 45,016 crore (US\$ 6.04 billion) from 20 automotive companies under the PLI Auto scheme. This scheme is expected to create an incremental output of Rs. 2,31,500 crore ( US\$ 31.08 billion).
- In 2022-23, Tamil Nadu attracted investment proposals worth US\$ 2.20 billion (Rs. 18,063 crore) Tamil Nadu is capitalizing on its previous automotive expertise to enter the EV industry.
- In November 2022, auto components maker Sona BLW precision forgings ltd. announced its plans to increase capex by Rs. 1,000 crore (US\$ 123.28 million) for its electric vehicles business.
- In December 2021, Tata Motors has lined up investments worth more than US\$ 1 billion in the next 4-5 years for its commercial vehicle business.
- German auto component major ZF has doubled down on India with an investment of €200 million (US\$ 214.10 million).

### **New strategies**

- Production Linked Incentive (PLI) Schemes for 14 key sectors have been announced with an outlay of US\$ 23.84 billion (Rs. 1.97 lakh crore) to enhance India's Manufacturing capabilities and Exports.
- The Indian government is exempting imports of capital goods and machinery essential for the production of lithium-ion cells used

in EV batteries from customs duty.

- Both Indian & global manufacturers are investing in new capacities & newer programmes to get long term advantage.
- As markets in North, West & South of India are getting saturated, component manufacturers are eyeing untapped markets in the Northeast region of the country.
- In December 2021, MG motor India was exploring export opportunities in UK and South Africa. The company has plans to make India as an export hub.
- In October 2021, TVS Motor Company, collaborated with Tata Power, to boost the comprehensive implementation of electric vehicle charging infrastructure (EVCI) across India and deploy solar-powered technologies at various TVS Motor locations.

### **Capacity**

- By 2030, Chinese EV manufacturer BYD hopes to control 40% of the Indian EV market. It already has a manufacturing setup in India, and the current plant's capacity may be increased by another 10,000-15000 units.
- In October 2021, Lucas TVS announced a 20% capacity expansion of its auto and non-auto businesses by the end of 2021.
- In September 2020, off-highway tyre-maker Alliance Tire Group (ATG), owned by the Japanese major Yokohama Group, announced plans to set up its third plant in the country in Visakhapatnam, with an investment of US\$ 165 million (Rs. 1,240 crore). The proposed plant will add over 20,000 tonnes per annum (55 tonnes per day rubber weight) capacity to the 2.3-lakhtonne annual production from two India plants and will be commissioned by the first quarter of 2023.
- In December 2020, Continental planned to expand its local presence in India by increasing their production capacity at the Modipuram plant.

### **Diversification**

- In May 2023, Gabriel India inks a pact with Inalfa, to invest US\$ 20.58 million (Rs. 170 crore) to set up a new manufacturing facility. Inalfa Gabriel Sunroof Systems (IGSS), in Chennai which will become operational in the first quarter of 2024.
- Many Indian firms specialising in only one product market or segment are looking to diversify in segments like two wheelers,

passenger cars or commercial vehicles.

- They are stepping up their product development capabilities in order to have the best chance of capturing growth opportunity.

### **IPO Listing**

- Auto components maker Happy Forgings to launch IPO on December 19th, 2023. It comprises a fresh equity issue of Rs. 400 crore (US\$ 47.99 million) and an offer for sale (OFS) of 71.59 lakh shares.
- Auto component manufacturing companies are entering the equity market to raise capital.
- In March 2021, auto component makers, Craftsman Automation and Rolex Rings Ltd. listed their IPOs on the stock exchange.